



WEEKLY REPORT

ARIZONA STATE RETIREMENT SYSTEM

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ASRS Board

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For the week ending Friday, February 13, 2004

Welcome to the ASRS Weekly Report. This report summarizes retirement-related legislation, and provides a briefing of news and notices important to member employers and your employees. Weekly Report is sent via email each Friday. Please direct comments related to this newsletter to Michelle Fink at michellef@asrs.state.az.us or phone (602) 308-5107.

***** Please distribute or make this report available to your employees. *****

ASRS News

- The ASRS has compiled a series of **Fact Sheets** that explain various programs and benefits offered to members. Fact Sheets cover such topics as membership criteria, permanent benefit increases, substitute teaching and membership, contribution rates, and returning to work after retirement. These valuable resources are available to employers and members. Visit our website to view them! Please feel free to print and distribute any of the fact sheets to your employees.
- View the attached **Legislative Quick Reference** below for an update of retirement-related legislation that's making its way through the State Legislature.

Upcoming Board & Committee Meetings

- **ASRS Board of Trustees** - Friday, February 20, 8:30 a.m., ASRS Phoenix office, 3300 N. Central Avenue, 10th floor.
- **ASRS Investment Review Committee** - Tuesday, March 2 – CANCELED.
- **ASRS External Affairs Review Committee** - Friday, March 5, 10 a.m., ASRS Phoenix office, 3300 N. Central Avenue, 14th floor.

Note: All Board & Committee meetings are open to the public and your attendance is encouraged. Schedules, agendas and minutes of meetings are posted on our website and are available at our Phoenix and Tucson offices.

Group Meetings & Seminars

- Our Member Services Division is scheduled to host a number of **Group Meetings & Seminars** designed for members thinking about retirement within the next year to five years. ASRS Member Services representatives will be traveling to cities and towns throughout the state in the coming months. Group Meetings and Seminars also take place regularly at our Phoenix and Tucson offices. Please be sure to let your employees know that if they're contemplating retirement, these meetings are available! A complete list is posted on the **Calendar** section of our website.

Here's where we'll be in the coming weeks:

ASRS Group Meetings & Seminars

Phoenix Office
3300 N. Central Ave. 10th floor
Reservations: (602) 240-2000; (800) 621-3378

Group Meetings

February 17, 4 p.m.
February 18, 2 p.m.
February 21, 9 a.m.
February 23, 4 p.m.
February 25, 2 p.m.
February 27, 9 a.m.

Seminars

February 12, 9 a.m.
February 28, 9 a.m.
March 11, 9 a.m.

Tucson Office
7660 E. Broadway Blvd., Suite 108
Reservations: (520) 239-3100; (800) 621-3378

Group Meetings

February 17, 4 p.m.
February 26, 1 p.m.
February 26, 1 p.m.
February 27, 1 p.m.

Seminars

February 21, 9 a.m.
March 17, 9 a.m.

State-wide
Reservations: (800) 621-3378

Group Meetings

Yuma, March 1, 4 p.m.
Yuma, March 2, 2 p.m.
Yuma, March 3, 9 a.m.
Yuma, March 4, 1 p.m.

Seminars

Yuma, March 2, 9 a.m.
Yuma, March 3, 1 p.m.

Douglas, March 4, 8 a.m.

Bisbee, March 4, 1 p.m.

Willcox, March 5, 9 a.m.

Casa Grande, March 9, 9 a.m.

Florence, March 8, 3 p.m.

Casa Grande, March 9, 3 p.m.

Quick Reference
ASRS Related Retirement Legislation
(For Period Ending Friday, February 13, 2004)

BILLS	BILL STATUS	ADMINISTRATIVE COST	ACTUARIAL IMPACT
HB 2018 - ASRS; Late Employer Contributions; Payment Sponsor: Huppenthal As Introduced: Clarifies that ASRS participating employers who did not pay the amount of the employer contributions and all interest for periods prior to July 17, 1994, are liable for the total unpaid amount and accrued interest on the unpaid amount.	Assigned: Hse GR and Hse Rules Status: Awaiting Hse GR and Rules Second Read 1/19/04	As Introduced: None expected.	As Introduced: None expected.
HB 2029 - ASRS; Service Purchase; Cost Sponsor: Huppenthal Same As SB 1378 As Introduced: A five-year work requirement is added to three areas of law governing purchase of ASRS service credits: 1) credits for service for years in the military, 2) credit for service in the employment of other governmental entities, 3) credit lost due to an official one-year leave of absence. The formula used to calculate the cost to purchase the service credit is changed to a single standard based on the present value of the additional benefit. Payment for credited service may be via a rollover contribution of the member's accrued vacation, sick leave or overtime pay as long as certain conditions are met. Effective Jan 1, 2004.	Assigned: Hse GR and Hse Rules Status: Passed Hse. GR - DP 1/20/04 (10-1-0-1-0) Hse Rules 1/28/04 (11-0-0-1-0) C & P Passed House 57-0 Ready for Senate first read 2/4/04	As Introduced: \$330,000 one-time implementation cost that includes programming and other set up costs. No impact on the contribution rate	As introduced: The bill will result in a reduction in contribution rates of 0.17% for all participating employers and 0.17% for all employees. Employees and employers will each see a total annual contribution savings of \$12.4 million. As one of the employers, the state general fund will save \$3.2 million in contributions annually.

BILLS	BILL STATUS	ADMINISTRATIVE COST	ACTUARIAL IMPACT
<p>HB 2049 - ASRS; Membership; Political Subdivision Entities Sponsors: Huppenthal, Hubbs, Nelson, et al. As Introduced: Stipulates that political subdivision entities are eligible to participate in the ASRS and provides a definition of political subdivision entities. The list of ASRS-member employers is expanded to include "participating political subdivision entities," defined as entities created by political subdivisions (including instrumentalities of subdivisions), a majority of whose members is composed of political subdivisions and whose primary purpose is the performance of government related service. Provisions for retroactive effective date and for purchase of service credits by those who worked for a political subdivision entity before the effective date of this act. Emergency clause. Government & Retirement Committee Amendment: Allows an active member of a participating political entity to purchase service under the statute that was in effect before January 1, 2004 as long as he or she applies for the service purchase before December 31, 2004.</p>	<p>Status: <i>Passed Hse. GR DPA 10-0-0-2-0. Passed Hse. Rules C & P 10-0-0-2-0. Passed Hse 56-1 Senate First Read 1/26/04.</i></p>	<p>As Introduced: None expected.</p>	<p>As Introduced: None.</p> <p>The Hse GR Amendment may result in the ASRS Fund being under compensated for the service purchased by employees of political subdivision entities that join ASRS. Unable to estimate actuarial cost until additional information is received.</p>
<p>HB 2052 – ASRS; Retirement Incentive Costs Sponsor: Huppenthal Same as SB 1377 As Introduced: Requires the employer to pay the difference between the actuarial present value of the increased benefit and the contributions received if the employer offers the employee retirement incentives that result in increases in pension benefits for which the fund does not receive full compensation.</p>	<p>Assigned: Hse GR, Hse Rules Status: <i>Passed Hse GR, DP 1/27/04 (11-0-0-1-0) 2/4 House Consent 2/4 House Rules (10-0-0-2-0) C & P 2/10 passed Hse 59-0; Ready for Senate</i></p>	<p>As Introduced: \$266,345 one-time implementation cost that includes programming and other set up costs. No impact on contribution rate.</p>	<p>As introduced: The bill will result in contribution rate savings of 0.11% for all participating employers and 0.11% for all employees. Employers and employees will each see a total annual contribution savings of \$7,575,000. As one of the employers, the state general fund will save \$1.9 million in contributions annually.</p> <p>A study of retirement incentive programs implemented by ASRS employers in recent years has revealed those programs have had a total cost to the fund of \$45.4million.</p>

BILLS	BILL STATUS	ADMINISTRATIVE COST	ACTUARIAL IMPACT
HB 2077- ASRS; Long Term Disability Sponsor: Huppenthal Same as SB 1379 As Introduced: 1. Requires existing employees of new employers to meet the same 12-month pre-existing condition limitations as new employees of existing employers. 2. Suspends the disability payment if the member refuses to participate in a recommended work rehabilitation program for which the member is reasonably qualified by education, training or experience. 3. Disallows the payment of disability benefits the first of the month in which the member is convicted of a criminal offense and confined to a correctional institution for more than 30 continuous days. 4. Clarifies that the benefits for both the primary and dependent Social Security beneficiaries are subtracted from the LTD benefits. 5. Requires members to pursue obtaining Social Security disability benefits through all available levels or until the claims administrator determines that the member would not be eligible for Social Security disability benefits. 6. Prevents members from bypassing the 24-month limitation on being disabled from <u>any</u> position by removing "consecutive" and adding "within the last five years" before being able to determine if a member is unable to perform any work for compensation or gain.	Assigned: Hse GR, Hse Rules Status: <i>Hse GR DPA (9-0-0-3-0) and Rules Second Read 1/15/04 From gov-ret with amend 3069 DPA- COW 2/12/04</i>	As Introduced: None expected.	As Introduced: Industry professionals estimate an annual cost savings to the LTD fund of up to \$16 million. Actuarial costs and impact on LTD contribution rates are pending.
HB 2078 - ASRS; Asset Management; Limitations Sponsor: Huppenthal As Introduced: Change to allow ASRS to hire a fund manager who has 3 years experience managing institutional funds and eliminate the requirement for having at least 10% of the ASRS assets under management currently. (38-718).	Assigned: Hse GR, Hse Rules Status: <i>Passed Hse. GR DP (9-2-0-1-0)</i> Awaiting Rules Second Read 1/15/04	As Introduced: None	As Introduced: None

BILLS	BILL STATUS	ADMINISTRATIVE COST	ACTUARIAL IMPACT
HB 2079 - ASRS; Normal Cost Definition Sponsor: Huppenthal As Introduced: Technical, redefine "Normal Cost" to the definition for Projected Unit Credit. (38-711) S/E NOW: Family builders; audits; repeals	Assigned: Hse GR, Hse Rules Status: <i>Passed</i> <i>Hse. GR (6-5-0-1-0) DPA/SE Rules (11-0-0-1-0) Second Read 1/15/04 COW 2/5 DP</i> <i>2/9 passed Hse 57-1 Senate first read 2/10/04</i>	As Introduced: None None	As Introduced: None
HB 2174 - Electronic Medical Claims Submission System Sponsor: Biggs, Quelland As Introduced: An electronic medical claims submission system shall be implemented by the Dept of Administration, the Arizona State Retirement System, and AHCCCS by Jan 1, 2005. The system shall be used by these agencies as the sole method of receiving medical claims for payment. Emergency clause.	Assigned: Hse. Health, Approps, Rules Second read on 1/20/04	As Introduced: Not yet available.	As Introduced: Not yet available.
HB 2185 - State Sick Leave Pay; Direct Transfer Sponsor: Gray, L. As Introduced: Upon retirement, a state or county officer or employee may elect to have accumulated sick leave payouts transferred directly to an eligible retirement plan.	Assigned: Hse. GR, Educ Status: <i>1/27 – GR DP (12-0-0-0-0) 1/21 - House Educ, DP (11-0-0-1-0) 2/4 – Rules DP (12-0-0-0-0) Through Caucus 2/12/04 Retained in COW</i>	As Introduced: Not yet available.	As Introduced: Not yet available.

BILLS	BILL STATUS	ADMINISTRATIVE COST	ACTUARIAL IMPACT
HB 2361 - State Agencies; Outside Council, Procurement First sponsor: Biggs, Others: Quelland As Introduced: State agencies authorized to retain outside counsel to perform legal services must comply with provisions of the state procurement code and must submit copies of the RFP and name of the proposed outside counsel to JLBC. At conclusion of the proceeding, outside counsel must submit a detailed statement of hours worked, expenses, etc. If the proceeding is a contingent fee case, the state agency is prohibited from paying an hourly rate in excess of \$500.	Assigned: 2/10 - <u>House gov-ret</u> held. 1/28 - referred to <u>House gov-ret</u> , <u>appro</u> . Second Read 1/29/04	As Introduced: Not yet available.	As Introduced: Not yet available.
HB 2382 - Social Security Numbers; Government Use Sponsor: Gray, C. As Introduced: Restrictions on the use of a person's social security number are waived for the Dept of Revenue and for all law enforcement agencies (currently, the waiver extends to all agencies of the state as well as municipalities, counties and other political subdivisions).	Assigned: 2/3 – DP GR (9-0-0-3-0). Through Caucus	As Introduced: Not yet available.	As Introduced: Not yet available.
HB 2599 - Retirement; ASRS; Retiree Health Insurance First sponsor: Konopnicki. Others: Alvarez, Burns, Chase, Wagner, Arzberger, Brown. Same As SB 1176 As Introduced: Group health insurance offered by the state retirement plan to its retired members shall have comparable premiums, deductibles and co-payments for all participants regardless of where they live in the state.	Assigned: 2/11 Hse gov-ret Approps. Second Read 2/12/04	As Introduced: Not yet available.	As Introduced: Making the current rural health insurance subsidy permanent would result in an increase to the ASRS contribution rate of .33% each for employees and employers. This represents an increase of \$24 million in annual contributions for employees and \$24 million annually for employers. The cost to the state's general fund would be \$5.5 million annually.

BILLS	BILL STATUS	ADMINISTRATIVE COST	ACTUARIAL IMPACT
HB 2600 - Retiree Health Insurance Study First sponsor: Konopnicki. Others: Alvarez, Burns, Chase, Wagner, Arzberger, Brown. Same As SB 1192 As Introduced: Legislative Council shall contract with a private entity to perform a study on various alternatives to provide health care coverage to retirees, including the feasibility of a single health insurance program for retirees of all state retirement plans or of allowing retirees to remain in the same health care plan as their previous employers; others. Report due Dec 1, 2004.	Assigned: <i>2/11 Hse gov-ret Approps First Read 2/11/04 Second Read 2/12/04</i>	As Introduced: Estimated ASRS cost for study at \$100,000. No impact on contribution rates.	As Introduced: Not yet available.
HB 2650 - Investment Protection Committee Sponsor: Rosati As Introduced: An Investment Protection Committee is established to share investment strategies, forecasting, credit analysis forecasts and contingency planning among various state entities that invest public funds. An annual report is due on Dec 31 to the Speaker and President on contingency planning for emergencies, investment losses, and any legislative recommendations. Committee members include the state treasurer, manager of the state comp fund, administrator of the PSPRS, and the director of the ASRS (or their designees).	Assigned: 2/12 gov-ret PIC First Read 2/11/04	As Introduced: Not yet available	As Introduced: Not yet available
SB 1176 - Retirement; ASRS; Retiree Health Insurance First sponsor: Arzberger. Others: Burns, Carruthers, Konopnicki, Wagner, Cannell. Same As HB 2599 As Introduced: Premiums and coverage for health insurance offered by ASRS for its retirees must be comparable for all eligible persons in the state.	Assigned: <i>1/27 referred to Senate fin, appro.</i>	As Introduced: Not yet available.	As Introduced: Making the current rural subsidy permanent would result in an increase to the contribution rate of .33% each for employees and employers with the total rate of .66%. This represents \$48.1 million in contributions annually. The cost to the state's general fund would be \$5.5 million.

BILLS	BILL STATUS	ADMINISTRATIVE COST	ACTUARIAL IMPACT
SB 1192 – Retiree Health Insurance Study Sponsor: Arzberger Same As HB 2600 As Introduced: JLBC will contract with a private entity to conduct a study and make recommendations on various suggestions to provide a single health insurance plan for retirees in all four state retirement systems.	Assigned: 1/27 referred to <u>Senate fin, appro</u>	As Introduced: Estimated ASRS cost for study at \$100,000. No impact on contribution rates.	As Introduced: Not yet available...
SB 1290 - Retirement; State; Retiree Health Insurance Sponsor: Martin As Introduced: Retired members of PSPRS, EORP, and CORP must provide written evidence of health care coverage to the fund manager before the fund begins payment of the health care insurance subsidy.	Assigned: 2/3 - referred to <u>Senate fin & rules</u>	As Introduced: Not yet available.	As Introduced: Not yet available.
SB 1343 – State Investment; Terrorist Ties Sponsor: <u>Verschoor</u> As Introduced: Everyone who manages money on behalf of the state government, including the retirement systems, must annually report a list of companies in which they have investments that according to the U.S. State Department have ties to federally designated terrorist sponsor countries, with details of the companies' connections to these countries and what if anything they are doing to insure that the technology they sell is not used for a non-civilian purpose. The reports also must include proposals for changing investment portfolios to exclude such companies.	Assigned: 2/4 - referred to <u>Senate fin.</u>	As Introduced: Not yet available.	As Introduced: Not yet available.
SB1348 - Retirement; ASRS; Military Reserve Service Sponsor: Hellon As Introduced: Provision that an active member of the Arizona State Retirement System may purchase credited service for time spent on active military duty is expanded to include military reserve duty if the member submits a military service record that specifies the duration of reserve service.	Assigned: 2/4 - referred to <u>Senate fin & rules</u>	As Introduced: Not yet available.	As Introduced: Not yet available.

BILLS	BILL STATUS	ADMINISTRATIVE COST	ACTUARIAL IMPACT
SB 1377 - Retirement Incentive Costs; ASRS Sponsor: Martin Same As HB 2052 As Introduced: If a retirement incentive program results in an actuarial unfunded liability to the Arizona State Retirement System, the employer who offers it must pay ASRS the amount of the liability as determined by ASRS. Retirement incentive program is defined as one that gives an increase of 30% or more in pay in any of the last 3 years before retirement if the increase is used to calculate the retirement benefit and other conditions apply.	Assigned: 2/5 - referred to <u>Senate fin & rules</u>	As Introduced: \$266,345 one-time implementation cost that includes programming and other set up costs. No impact on contribution rate.	As introduced: The bill will result in contribution rate savings of 0.11% for all participating employers and 0.11% for all employees. Employers and employees will each see a total annual contribution savings of \$7,575,000. As one of the employers, the state general fund will save \$1.9 million in contributions annually. A study of retirement incentive programs implemented by ASRS employers in recent years has revealed those programs have had a total cost to the fund of \$45.4million.
SB 1378 - Retirement; ASRS Service Purchase Sponsor: Martin Same As HB2029 As Introduced: The qualify to purchase public-service, leave-of-absence or military-service credits for use toward retirement benefits under the Arizona State Retirement System, an individual must have earned at least five years of credited service. Provision is made for use of a rollover contribution for accrued vacation, sick leave or overtime pay.	Assigned: 2/5 referred to <u>Senate fin & rules</u>	As Introduced: \$330,000 one-time implementation cost that includes programming and other set up costs. No impact on the contribution rate	As introduced: The bill will result in a reduction in contribution rates of 0.17% for all participating employers and 0.17% for all employees. Employees and Employers will each see a total annual contribution savings of \$12.4 million dollars. As one of the employers, the state general fund will save \$3.2 million in contributions annually.
SB 1379 - Retirement; ASRS; Long Term Disability Sponsor: Martin Same As HB 2077 As Introduced: The list of reasons for which payments under the long-term disability program of the Arizona State Retirement System will stop is expanded to include a member's refusal to participate in a work rehab program and a member's conviction of a crime with jail time of more than 30 days. A member can be considered totally disabled if he received benefits for any 24 months in a five-year period (prev 24 consecutive months, no period) and is unable to perform work for pay that is equal to the benefits.	Assigned: 2/5-referred to <u>Senate fin & rules.</u>	As Introduced: None expected.	As Introduced: Industry professionals estimate an annual cost savings to the LTD fund of up to \$16 million. Actuarial costs and impact on LTD contribution rates are pending.

LEGEND

AMEND C&P	Constitutional and Proper as Amended by the House Rules Committee	HB	House Bill
APPROP	Appropriations Committee	HCR	House Concurrent Resolution
ASRS	Arizona State Retirement System	HHR	House Hearing Room
C&P	Constitutional and Proper	Hse.	House of Representatives
CORP	Corrections Officer Retirement Plan	JUD	Judiciary Committee
COW	Committee of the Whole	LTD	Long Term Disability
DP	Do Pass	PFC	Proper for Consideration
DPA	Do Pass as Amended	PFCA	Proper for Consideration as Amended by the Senate Rules Committee
EORP	Elected Officials' Retirement Plan	PSPRS	Public Safety Personnel Retirement System
FII	Financial Institutions and Insurance Committee	SB	Senate Bill
FIN	Finance Committee	S/E	Strike Everything Amendment
GF	General Fund	Sen.	Senate
GOV	Government Committee	SHR	Senate Hearing Room
GR	Government and Retirement Committee	WM	Ways and Means Committee

**The weekly legislative report is available on-line at the ASRS Web site:
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If you have questions relating to legislation, please contact ASRS Government Relations Officer
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